

FDIC State Profile

Spring 2005

New Hampshire

Revised payroll data indicate the economy performed slightly better in New Hampshire than originally reported.

- The new seasonally adjusted payroll employment data show the recovery from the end of the recession in April 2003 through 2004 has been slightly stronger than originally reported (See Chart 1).¹
- Other new estimates covering 2004 show that the unemployment rate for New Hampshire was little changed by the revision (See Chart 2). Even with the increase in early 2005, the unemployment rate in the state remains far below the national average.

The new payroll data reveal that New Hampshire has recovered almost all of the jobs lost during the recession.

- New Hampshire suffered moderate job losses during the recent recession. From the peak in February 2001 through the trough in March 2003, job losses totaled 19,800, or just more than 3 percent. This was moderately more than the 2 percent decline experienced nationally but only about one-half of the 6 percent drop in Massachusetts—which was the most severe in the nation.
- The revised data indicate New Hampshire has recovered almost all of the jobs lost in the recession, as has the nation. Also, like the nation, the service sector and construction provided much of the employment increase.
- Manufacturing in New Hampshire continues to suffer, although employment levels recently have stabilized. The data revisions were comparatively large in this sector and upward, covering both durable and nondurable manufacturing. The upward revision was particularly significant in the manufacturing of computer and electronic products. Despite this positive news, manufacturing in New Hampshire lost about one in five jobs from 2000 to 2004.

Unemployment insurance claims show improvement, but New Hampshire has more to go.

- Initial unemployment insurance claims in New Hampshire continued to decline until just before year-end 2004 (See

Chart 1: Payroll Employment Revised Slightly Higher During 2004; Job Growth Continues

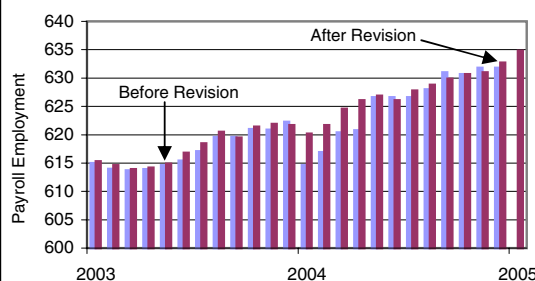


Chart 2: Unemployment Rate is Little Changed Upon Revision

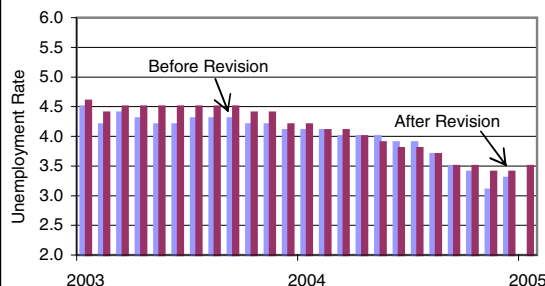
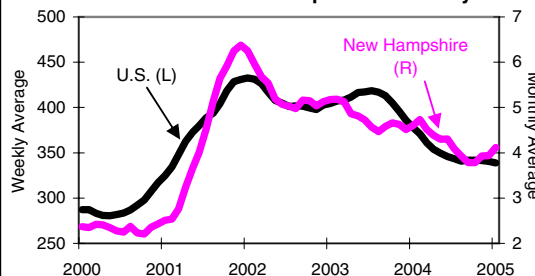


Chart 3: New Unemployment Claims are Nearly Stable as Conditions Improve Nationally



¹Restated payroll employment data cover the period July 2003 through year end 2004.

Chart 3). The decline in insurance claims paralleled that of the nation.

- Initial unemployment claims climbed more on a relative basis in New Hampshire than nationally, rising to almost three times pre-recession levels as compared with about a 50 percent rise nationally. The rapid increase in claims in 2001 reflects the greater severity of the recession in New Hampshire.
- The return of initial unemployment insurance claims in New Hampshire to lower levels is a positive sign that job growth likely will continue during the course of this year.

Declining noninterest income is hampering profitability.

- Community banks, like their larger competitors, have been attempting to diversify sources of income through fee and other service revenue generation. Efforts have produced some favorable results, but noninterest income levels remained relatively flat in 2004 (See Chart 4).
- Gains on loan sales have declined after more significant contributions to noninterest income in 2003. Service charges on deposit accounts are a major source of noninterest income and have been flat perhaps in response to competitive pressures to maintain deposit share.

Banks are facing increased funding costs.

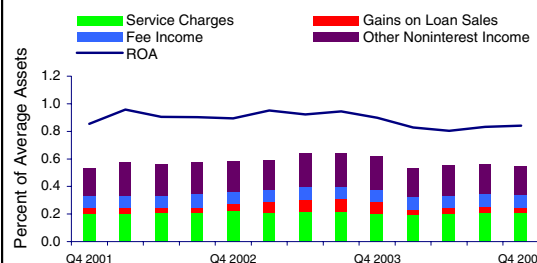
- Many banks have experienced immediate increases in overall interest expense (See Chart 5). The increase in the federal funds rate since June 2004 contributed to higher funding costs.
- Competition for lower-cost, nonmaturity (demand, savings, and money market deposit accounts) deposits is increasing in the market place as banks position their balance sheets to mitigate the effect of rising interest rates on net interest margins.

New Hampshire lagged both the region and the nation in branch and deposit growth.

- The number of branches grew by only 0.2 percent in New Hampshire during the 2000 to 2004 time period, a slow pace compared with the national average of 3.9 percent. Two less populous counties led the branch expansion—Coos at 6.7 percent growth and Carroll at 4.5 percent—while Sullivan lagged with a 5.6 percent decline (See Map 1).
- Deposit growth at New Hampshire banks and thrifts was also sluggish. Real deposits, which are adjusted for inflation, grew just 6 percent during the four years, compared with the U.S. average of 25 percent. With little change in the number of branches, real deposits per branch also grew at about 6 percent.

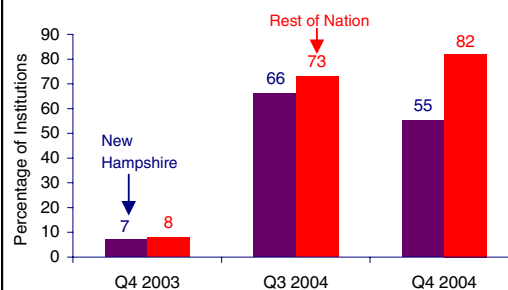
- Branch and deposit expansion lagged both the national average and most New England states, despite the fact that increases in population and per capita income far surpassed the national average and all other New England states.

Chart 4: Earnings Growth Slows as Noninterest Income Levels Remain Flat in 2004



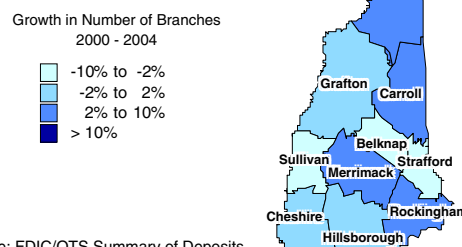
Note: Call filers only with assets <\$1 billion. Excludes specialty institutions and de novos.
Source: FDIC

Chart 5: Most Insured Institutions are Reporting Funding Cost Increases



Note: Funding costs during the quarter compared to prior quarter.
Source: FDIC

Map 1: New Hampshire Has Seen Only Minimal Growth in Branches



Source: FDIC/OTS Summary of Deposits

New Hampshire at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

Employment Growth Rates	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Total Nonfarm (share of trailing four quarter employment in parentheses)	1.4%	0.8%	-0.7%	-1.0%	2.6%
Manufacturing (13%)	1.4%	-3.5%	-8.7%	-12.6%	2.8%
Other (non-manufacturing) Goods-Producing (5%)	1.6%	6.3%	-0.2%	8.9%	4.9%
Private Service-Producing (68%)	2.0%	1.2%	0.4%	0.0%	2.7%
Government (14%)	-1.4%	1.5%	2.5%	5.0%	1.2%
Unemployment Rate (% of labor force)	3.4	4.3	4.7	4.0	2.6

Other Indicators	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Personal Income	N/A	4.7%	1.9%	1.3%	10.0%
Single-Family Home Permits	18.9%	-5.0%	7.8%	-12.4%	21.3%
Multifamily Building Permits	-45.0%	35.5%	103.8%	204.3%	-34.3%
Existing Home Sales	5.2%	5.8%	8.1%	0.0%	2.8%
Home Price Index	10.6%	10.2%	12.0%	11.5%	14.6%
Bankruptcy Filings per 1000 people (quarterly level)	0.85	0.80	0.78	0.69	0.65

BANKING TRENDS

General Information	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Institutions (#)	30	31	32	34	35
Total Assets (in millions)	31,234	29,691	29,393	35,450	31,646
New Institutions (# < 3 years)	0	0	0	2	2
Subchapter S Institutions	0	0	0	0	0

Asset Quality	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Past-Due and Nonaccrual Loans / Total Loans (median %)	0.78	0.94	1.34	1.40	1.37
ALLL/Total Loans (median %)	0.97	1.06	1.07	1.16	1.25
ALLL/Noncurrent Loans (median multiple)	4.21	2.87	3.06	2.88	4.09
Net Loan Losses / Total Loans (median %)	0.01	0.05	0.03	0.07	0.03

Capital / Earnings	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Tier 1 Leverage (median %)	8.60	8.73	8.62	8.89	8.51
Return on Assets (median %)	0.86	0.89	0.95	0.89	0.95
Pretax Return on Assets (median %)	1.18	1.42	1.44	1.36	1.46
Net Interest Margin (median %)	4.08	4.15	4.38	4.21	4.41
Yield on Earning Assets (median %)	5.34	5.65	6.52	7.59	7.95
Cost of Funding Earning Assets (median %)	1.37	1.55	2.21	3.45	3.80
Provisions to Avg. Assets (median %)	0.03	0.08	0.10	0.08	0.10
Noninterest Income to Avg. Assets (median %)	0.56	0.58	0.61	0.55	0.44
Overhead to Avg. Assets (median %)	3.05	2.98	3.11	3.12	3.17

Liquidity / Sensitivity	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Loans to Assets (median %)	69.6	66.3	63.7	67.9	68.9
Noncore Funding to Assets (median %)	19.3	17.9	15.2	15.5	14.7
Long-term Assets to Assets (median %, call filers)	15.5	15.6	14.1	9.2	11.5
Brokered Deposits (number of institutions)	6	5	2	1	3
Brokered Deposits to Assets (median % for those above)	2.0	3.8	25.8	50.9	1.1

Loan Concentrations (median % of Tier 1 Capital)	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Commercial and Industrial	39.1	45.0	45.0	47.6	53.9
Commercial Real Estate	237.0	198.7	190.3	174.8	176.6
<i>Construction & Development</i>	26.3	21.3	19.1	17.3	23.0
<i>Multifamily Residential Real Estate</i>	7.1	6.1	7.8	6.0	7.2
<i>Nonresidential Real Estate</i>	160.0	158.0	158.9	150.8	143.0
Residential Real Estate	366.5	357.8	355.2	349.8	380.5
Consumer	24.6	25.4	32.9	40.8	43.0
Agriculture	0.3	0.0	0.2	0.0	0.0

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Manchester-Nashua, NH	14	6,489	< \$250 mil.	15 (50%)
			\$250 mil. to \$1 bil.	12 (40%)
			\$1 bil. to \$10 bil.	2 (6.7%)
			> \$10 bil.	1 (3.3%)